

Message Text

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ACTION EUR-12

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SS-15 STR-07 OMB-01 CEA-01 CIAE-00 COME-00 FRB-01
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TO SECSTATE WASHDC 8704
DEPARTMENT TREASURY
INFO AMEMBASSY BRUSSELS
AMEMBASSY PARIS

UNCLAS BONN 09230

USEEC, USOECD

DEPARTMENT PASS FRB AND CEA

E.O. 11652:N/A
TAGS: EFIN, GW
SUBJECT: FINANCE MINISTER ON ECONOMIC STIMULATION

1. IN AN EXCLUSIVE INTERVIEW WITH HANDELSBLATT PUBLISHED MAY 19, FINANCE MINISTER MATTHOEFER SAID THAT SLOW GROWTH AND UNEMPLOYMENT IN THE FRG DERIVE MAINLY FROM THE HIGH SAVINGS RATE IN THIS COUNTRY (13.5 PERCENT IN 1977) AND LAGGING INVESTMENT. WHILE DENYING THAT ANY NEW STIMULUS PROGRAM WAS BEING PREPARED, MATTHOEFER SPOKE AT LENGTH ON THE NEED TO RECTIFY THIS SITUATION. HE URGED THAT SUBSIDIES WHICH WOULD PROMOTE PERSONAL SAVINGS BE HELD IN CHECK AND EMPHASIZED THE DESIRABILITY OF SPECIAL INCENTIVES FOR MEASURES AIDING ENERGY CONSERVATION AND INNOVATIVE TECHNOLOGY.

2. IN AN EVALUATION OF THE VARIOUS MEANS OF ACHIEVING
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THESE GOALS, HE SPOKE IN FAVOR OF CONTINUED DEFICIT SPENDING IN ORDER TO CLOSE THE GAP BETWEEN PRIVATE SAVINGS AND NECESSARY INVESTMENT. GENERAL TAX REDUCTIONS, HE REASONED, CURRENTLY ARE NOT LIKELY TO BE PRODUCTIVE BECAUSE OF THE LEAKAGE DUE TO THE HIGH SAVINGS RATE AND BECAUSE MUCH OF THE INCREASED DISPOSABLE INCOME WOULD BE SPENT IN TRAVEL ABROAD.

3. MATTHOEFER WAS ALSO SKEPTICAL OF THE IDEA OF TYING BUSINESS TAX CUTS TO MANDATORY INVESTMENTS IN TAXPAYERS' PLANTS. HE ARGUED THAT SUCH A MOVE COULD CAUSE INEFFICIENT ALLOCATION OF INVESTMENT FUNDS AND WORKS AGAINST THE CONCEPT THAT INVESTMENT DECISIONS SHOULD CONTINUE TO BE GUIDED BY PREVAILING MARKET CONDITIONS.

4. WHEN HE DENIED THAT PLANS ARE UNDER WAY IN THE GOVERNMENT FOR ANOTHER STIMULATION PROGRAM, MATTHOEFER WENT ON TO SAY, "I WILL NOT TELL YOU ANYTHING THAT I HAVE NOT PREVIOUSLY COORDINATED WITH ECONOMICS MINISTER LAMBSDORFF. I GET ALONG WITH HIM VERY WELL, AND I WILL NOT MAKE IN PUBLIC ANY PROPOSALS FOR A POSSIBLE PROGRAM THAT HAVE NOT BEEN HARMONIZED WITH HIM".
STOESSEL

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